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FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS

Unutilized balances of appropriations

Note by the Director-General

Provides historical and current information concerning unutilized balances of appropriations.

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Introduction

1. Since its conversion to a specialized agency in 1986, unutilized balances of appropriations have been the subject of discussion on a number of occasions, as reflected in the annex to the present document. The annex provides, in tabular form, information concerning unutilized balances with respect to each biennium since 1986-1987.

2. Unutilized balances of appropriations are defined as the difference between regular budget appropriations and actual expenditures. They are caused by non-payment or delayed payment of assessed contributions by Member States, resulting in the under-implementation of the approved programme.

I. CONSTITUTION AND FINANCIAL REGULATIONS

3. Articles 8.3 (a), (c) and (f) of the UNIDO Constitution stipulate that the Conference shall: "Determine the guiding principles and the policies of the Organization; Approve the programme of work, the regular budget and the operational budget of the Organization in accordance with Article 14, establish the scale of assessments in accordance with Article 15, approve the financial regulations of the Organization and supervise the effective utilization of the financial resources of the Organization; Take any other appropriate action to enable the Organization to further its objectives and carry out its functions."

4. According to financial regulations 4.2 (b) and (c), the unencumbered balance of the appropriations shall be credited to Member States in proportion to their assessed contributions (i.e. in accordance with the scale of assessments). Credits become due when assessed contributions collected exceed the amount of the unutilized balances for a specific biennium. Only those Member States that have fully paid their assessed contributions for the biennium to which the credits relate are eligible to receive the credits.

II. RETENTION OF UNUTILIZED BALANCES

5. In the past, to address important financial concerns, the General Conference has suspended the relevant financial regulations and authorized the retention of unutilized balances of appropriations, as summarized in table 1 and also referred to in the annex.

6. While Member States authorized balances for retention on several occasions, not all balances were supported by actual cash. As shown in the last column of table 1, unpaid assessed contributions relating to the respective bienniums amount to $15,310,985, and thus the actual cash retained amounts to $27,756,147.

7. Since sufficient cash resources were not made available to finance the 1998 staff separation programme, the Industrial Development Board recommended to the General Conference the temporary suspension (until the eighth session of the Conference) of the distribution of $1,194,924 of the unutilized balances for the 1992-1993 biennium to partially finance the staff separation programme (GC.8/17, para. 17). This amount would have been due for distribution in January 1998 (see also annex to present document, footnote 8).

Table 1. Retention of unutilized balances
(Amounts in US dollars)

GC decision	*Biennium*	*Amount*	*Purpose*	*Unpaid assessed contributions**
GC.3/Dec. 17(c) GC.4/Dec.15(c)(iii)	1986-1987	4,377,386	First for unspecified purpose, and second to cover 1990-1991 deficit	57,902
GC.4/Dec.15(d)	1988-1989	6,496,192	Facilitate work of the Organization	159,246
GC.5/Dec.14(e)	1990-1991	8,746,822	Strengthen statutory cash resource base	1,193,837
GC.6/Dec.15(e)	1992-1993	9,546,732	Partially fund separation indemnity reserve (staff reduction programme introduced in Nov. 1995)	–
GC.7/Dec.17(d)(ii)	1994-1995	13,900,000	Fund separation indemnity reserve (1998 staff separation programme) (No cash against these balances has yet been received.)	13,900,000
Total		43,067,132		15,310,985

*Relates to the respective unutilized balances (excluding new Member States) as at 30 September 1999. For 1992-1993, the amount of unutilized balances approved for retention was supported by actual cash (see annex, footnote 4).

III. DISTRIBUTION OF BALANCES TO MEMBER STATES

Balances distributed

8. Since 1986, when UNIDO became a specialized agency, two distributions of unutilized balances of appropriations relating to the biennium 1992-1993 have taken place. These amounted to $1,517,078 and were credited to Member States as follows: $1,428,309 in February/March 1997, and $88,769 in January 1999.

9. In addition, as shown in table 2, contributions from new Member States amounting to $760,150 were distributed to Member States in accordance with financial regulation 5.2 (d). It should be noted that contributions from new Member States are not subject to the provisions of financial regulations 4.2 (b) and (c). As of 30 September 1999, new Member States owed a total amount of $301,123.

Table 2. Distribution of contributions from new Member States
(In US dollars)

	Amount
January 1994	213,511
January 1997	166,320
January 1999	380,319
Total	760,150
To be distributed in January 2000	257,699

Balances due for distribution

10. Table 3 shows the amounts that are due to Member States when assessed contributions are collected against the unutilized balances for the respective biennium.

11. Since the unpaid assessed contributions relating to the 1994-1995 biennium amount to $44,966,427 (including $35,257,420 owed by the United States of America), no significant distribution is expected to take place until the United States of America honours its obligations.

12. In the absence of any decision for suspension of financial regulations 4.2 (b) and (c) for the 1992-1993 and 1996-1997 bienniums, partial distributions are due in January 2000. Credits will be reflected in the assessment letters for the year 2000. Only those Member States that have fully paid their assessed contributions for the relevant bienniums will be entitled to receive the credits. The amounts due are:

1992-1993 $1,275,928 (includes $1,194,924 referred to in para. 7)

1996-1997 $2,594,175.

IV. ACTION REQUIRED OF THE CONFERENCE

13. The information provided in the present document is brought to the attention of the Conference for any action it may consider appropriate.

Table 3. Amounts due to Member States
(In US dollars)

Biennium	*Unutilized balances*	*Amount already distributed*	*Unpaid assessed contributions*	*Amount due to Member States (shortfall)*
1992-1993	5,186,192	1,517,078	2,393,186	1,275,928
1994-1995	17,647,757	-	44,966,427	(27,318,670)
1996-1997	41,747,616	-	39,153,441	2,594,175

Annex

STATUS OF UNUTILIZED BALANCES OF APPROPRIATIONS AS AT 30 SEPTEMBER 1999

(In US dollars)

		1986-1987	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*
A	Unutilized balance	4,377,386[1]	6,496,192[2]	8,746,822[3]	14,732,924	31,547,757	41,747,616
B	Authorized for retention by UNIDO	4,377,386	6,496,192	8,746,822	9,546,732[4]	13,900,000[5]	0
C	Due to Member States (A-B)	0	0	0	5,186,192	17,647,757	41,747,616
D	Unpaid assessed contributions (excluding new Member States)	57,902	159,246	1,193,837	2,393,186	44,966,427	39,153,441[6]
E	Collections/(shortfalls) (C-D)	(57,902)	(159,246)	(1,193,837)	2,793,006	(27,318,670)	2,594,175
F	Balance already distributed	Not applicable (all unutilized balances were authorized for retention)			1,517,078[7]	0	0
G	**Balance due for distribution in January 2000 (E-F)**				**1,275,928[8]**	**0**	**2,594,175**
H	**Balance due for distribution upon collection of unpaid assessed contributions (C-F-G)**				**2,393,186**	**17,647,757**	**39,153,441**

[1]For unspecified purpose (GC.3/Dec.17(c)), and to partially cover the 1990-1991 deficit (GC.4/Dec.15(c)(iii)).

[2]To facilitate the work of the Organization (GC.4/Dec.15(d)).

[3]To strengthen the statutory cash resource base of the Organization (GC.5/Dec 14(e)).

[4]For partially funding the staff separation programme introduced in November 1995 (GC.6/Dec.15(e)). The amount represents the actual cash collected by UNIDO until 31 December 1995.

[5]For funding the separation indemnity reserve (1998 staff separation programme) (GC.7/Dec.17(d)(ii)). Unlike the previous programme (note 4 above), this amount was neither backed by actual cash, nor have any collections been made against this amount. Member States owe $44,966,427 (including $35,257,420 owed by the United States of America).

[6]Includes $26,855,755 owed by the United States of America relating to the 1996 assessed contributions.

[7]Distributions made in February/March 1997 ($1,428,309) and January 1999 ($88,769).

[8]Includes $1,194,924 utilized for the 1998 staff separation programme. The amount would have been due for distribution in January 1998. However, decision IDB.20/Dec.4 recommended suspension of distribution until December 1999.